


Longenecker • Moore • Petty • Palich

Small Business Management

An Entrepreneurial Emphasis



13th Edition

Chapter 6

The Business Plan: Visualizing the Dream

Part 3 Developing the New Venture Business Plan

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The Need for a Business Plan

- **Primary Functions**
 - To provide a clearly articulated statement of goals and strategies for internal use
 - Imposes discipline on the entrepreneur and management team
 - To serve as a selling document to be shared with outsiders
 - Provides a credible overview for prospective customers, suppliers, and investors
 - Helps secure favorable credit terms from suppliers
 - Opens approaches to lenders and other sources of financing

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Features of Plans that Attract Investors

- **Plans that speak the investors' language:**
 - Are *not extremely long* in written length.
 - Have an *attractive overall appearance*.
 - Are *well-organized* with a table of contents and numbered pages.
 - Are *market-oriented* in meeting customer needs; are not product-oriented.
 - Show *evidence of customer acceptance* of the proposed product or service.
 - Recognize the *investors' needs* for required rates of return on investments.
 - Demonstrate *evidence of focus* on a limited number of products or services.
 - Have a *proprietary market position* through patents, copyrights, and/or trademarks.

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Features of Plans Unattractive to Investors

• Plans that create unfavorable reactions:

- Show an *infatuation with the product or service* and *downplay market needs or acceptance*.
- Are based on *financial projections at odds with accepted industry norms*.
- Have *unrealistic growth projections*.
- Contain a need for *custom or applications engineering*, which makes substantial growth difficult.



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How Much Business Planning is Needed?

• Factors affecting the extent of a business plan:

- Cost in *time and money* to prepare the plan
- *Management style and ability*
- *Preferences* of the management team
- *Complexity* of the business
- *Competitive* environment
- *Level of uncertainty*
- *Public offering* : SEC/Govt. requirements

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Preparing a Business Plan

• Two issues critical in preparing a business plan:

- The basic format and effectiveness of the written presentation.
 - Clear writing that *effectively communicates*
- The content of the plan.
 - Factual *support for the concept* in the form of strong supporting evidence



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Factors Affecting Business Plan Content

- **The People**
 - Those involved in starting and running the venture
- **The Opportunity**
 - The business' profile—products, customers, expected growth, profitability, and anticipated challenges and problems
- **The Context**
 - The big picture—the firm's competitive environment
- **Risk and Reward**
 - Assessment of potential problems and responses

Develop Marketing Plan

- Product, service or idea concept
- Marketing channels
- Price
- Promotion
 - Advertising
 - Direct marketing
 - Personal selling
 - Sales promotion
 - Publicity and public relations

Develop financial plan

- **Cash budget** - how much money is needed before and after opening.
- **Balance sheet** - show how much is to be spent on assets and how assets will be financed.
- **Income statement** - summaries expected revenues and operating expenses.
- **Breakeven chart** - Shows how sales volume, selling price, and operating expenses affect profits.

Resources for Business Plan Preparation

- Computer-aided Planning
 - Word-processing
 - Spreadsheets
- Specialized Business Plan Software Packages
- Professional Assistance
 - Attorneys
 - Marketing specialists
 - Engineering and production experts
 - Accounting firms
 - Incubator organizations
 - Small business development agencies

BizPlanBuilder on Writing the Narrative (p. 8)

A business plan is an action-oriented document !

- Many, if not most, **readers will not read your plan from start to finish**, at least not the first time through.
- You want readers to be able to **quickly find the section they want and locate the information** they're interested in reading within that section.
- Once they find what they're looking for, the information must be **clear and to the point**.

Key Terms

business plan
summary plan
comprehensive plan
prospectus
executive summary
mission statement
products and/or services plan
marketing plan
management plan
operating plan
financial plan
pro forma statements
